Annual Report 2003/2004

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PENSION CORPORATION
BRITISH COLUMBIA

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PENSION CORPORATION

Annual Report 2003/2004

Vision

Pension services professionally provided

Mission

British Columbia Pension Corporation is a non-profit agent of the College, Municipal, Public Service and Teachers' Pension Boards of Trustees and the Workers' Compensation Board of British Columbia providing professional pension administration services to the boards and their members.

Values

- We are friendly, caring and treat everyone with respect
- We are positive and passionate about serving our clients
- We earn trust by acting with openness, personal accountability and integrity
- We work as a team

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PENSION CORPORATION

BRITISH COLUMBIA

Annual Report 2003/2004

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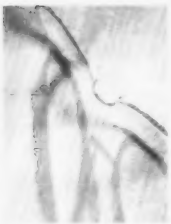

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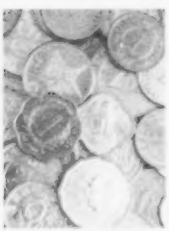

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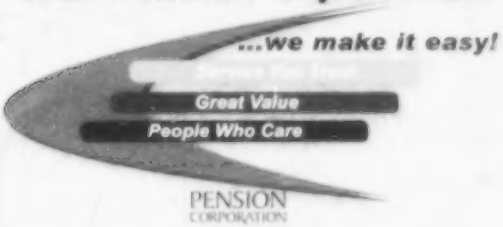
Overview

Your Pension Experience



Our Operating Principles

- Maximize value for money
- Listen to our clients
- Maintain confidentiality
- Promote simplicity
- Look to the future
- Leverage best practices
- Keep our promises

Our People Principles

Create a great place to work

- Provide clarity of direction and roles
- Attract, develop and retain highly capable people
- Embrace change, creativity and learning
- Ensure diversity of people and thought
- Foster safety and health in everything that we do
- Build a high-performance service culture through human resource development

Mandate

THE BRITISH COLUMBIA PENSION CORPORATION was established on April 1, 2000 under the *Public Sector Pension Plans Act*. Located in Victoria, British Columbia, the Pension Corporation is one of the largest pension benefit administrators in Canada. Governed by an eight-member board of directors representing the College, Municipal, Public Service and Teachers' pension plans, the corporation provides pension administrative services to BC public sector pension plans.

The corporation acts as the pension benefit administrative agent for the boards of trustees of the four major pension plans and may provide services to other BC public sector pension plans.

Comprehensive pension administration includes providing services to:

- enrol plan members and employers,
- communicate benefit entitlements and plan requirements,
- deliver pre-retirement and self-help information programs,
- collect member data for benefit entitlements,
- collect contribution funding,
- calculate and pay pension benefits, including purchases of service and transfers with other pension plans,
- manage group benefit contracts and programs available to retired members,
- collect and record contributions and other information from employers and plan members,
- provide policy analysis and communications services,
- prepare plan financial and regulatory reporting, and
- provide secretariat support to the boards of trustees.

The corporation and its team of over 400 professionals are covered by the *Public Service Act* and the *Public Service Labour Relations Act*.

Chair's Message

Bruce Clow
Chair

IT IS MY PLEASURE TO PRESENT the fourth annual report of the British Columbia Pension Corporation, on behalf of the Pension Corporation Board of Directors.

It has been a full and busy year, which could not have been accomplished without the hard work of the Pension Corporation staff. During the year the board focused on:

- continuing our commitment to quality service delivery to our clients,
- enhancing services to clients through a range of media, particularly web-based and online services,
- modeling best practices,
- developing the corporation as an employer of choice, and
- supporting and monitoring current operations.

We have committed the Pension Corporation to being one of Canada's best pension administrators. Over the past year we met or exceeded our 2003/04 service performance targets in all plans for most key transactions, while at the same time responding to increased demand for services. Demand for pension options and estimates for purchase of service were significantly higher than anticipated, and we were successful in managing the overall demand.

Online services to our clients were enhanced significantly over the past year. We introduced a new look for our website, and added features such as a pension timeline that offers members information specific to where they are in their career. An enhanced online pension estimator that allows clients to produce pension estimates based on their personal information is one of the most-used features of the website.

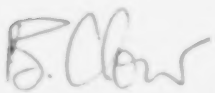
We took some of the complexity out of retiring by reducing the information and application packages from 24 items to eight, and clarifying the process for our members. We delivered pre-retirement seminars to over 8,000 attendees. We continue to gather information from plan members and clients through surveys and focus groups and receive high marks in surveys from our members.

Over the past year we initiated business planning throughout the corporation through a sound business planning process and the development of branch business plans. Our Corporate Strategic Delivery Plan established a clear direction for the corporation. Risk management models and tools were developed to assist with business planning.

The British Columbia Pension Corporation is striving to be an employer of choice. Staff development is encouraged, through training and temporary assignment opportunities and the development of personal business plans for each staff member. We encourage staff to see the important connections between the corporate objectives and the work they do.

This year marks the end of our three-year foundation-building period, and we are on target. This was our first year working with our new Chief Executive Officer, Gail Stephens. Gail has continued the fine work established by our first CEO, John Mochrie, who retired in April 2003. The board thanks John for his contributions and acknowledges the contributions that Gail has made.

Over the next year we will continue to focus on our commitment of quality service delivery and our development as one of the best pension administrators in Canada.



Bruce Clow
Pension Management Board
March 31, 2004

Board Members *as at March 31, 2004*

Bruce Clow
Chair

John Wilson
Vice Chair

Wayne Jefferson

Gary Johnson

Dale Lauber

Cliff Neufeld

Richard Taylor

Diane Wood

Chief Executive Officer's Message

Gail Stephens
Chief Executive Officer

THE BC PENSION CORPORATION is one of the largest pension benefits administrators in Canada—one that has set its sights on becoming an industry leader in pension administration. The past year has been an important one for the corporation as we adopted a new vision and strategic plan. Our goal is to simplify, streamline and improve business processes, and our promise is one of personal accountability and performance.

The Pension Corporation wants to be seen as an employer of choice that attracts and retains highly capable, motivated and accountable professionals. This is a corporation that welcomes change and embraces business improvement and creativity. We have built an excellent foundation. We intend to do so much more.

As an organization, we are committed to delivering and maintaining quality service to our clients. We strive to make every plan member's pension experience easy by providing a high standard of service in an environment based on trust and confidence. Our employees continue to demonstrate outstanding levels of performance, and they've made tremendous contributions towards achieving our vision of service excellence.

Our passion for service is reflected in our clients' responses to our services. Our service was validated by active members, with survey results of 79% satisfied or very satisfied, and by employers with 96% satisfied or very satisfied with our services. In a survey of recently retired members, 94% were satisfied or very satisfied with the services they received from the corporation, up from 82% in 2002. In our first-ever survey of long-term retirees, 90% were satisfied or very satisfied with the quality of our service. We are proud of these measures and will continue striving to improve our performance.

In the past year, we faced many challenges and made great progress. We reduced costs, enhanced web-based information, simplified the retirement process, and improved financial and performance reporting. We developed a customized Strategic Delivery Plan based on priorities and unique service requirements of the plan boards. We introduced service-based budgets to enable the boards to compare their service costs with alternatives, and we improved our performance and financial reports to the boards. We are committed to the rigors of comprehensive business planning, transparent reporting of results against targets, and benchmarking our performance against industry best practices.

As plan members become increasingly interested in their retirement planning, we have boosted our efforts to improve communications to members and their employers. Pension information can be very complex, but by streamlining content and simplifying language, we are producing information that is much easier to understand. We revised many publications last year to improve their functionality. Key projects we completed include a redesigned retirement information package, a reformatted annual *Member's Benefit Statement*, and we developed plan-specific newsletters for retired members. In addition, the corporation launched an enhanced website that boasts easier navigation and new online services. Plan-specific pension timeline sections, expanded forms sections and personalized pension and purchase of service estimators provide plan members with easy access to information about their pension. We completed significant employer training during the year and are near completion of new comprehensive employer instruction manuals that will be available on the website.

These accomplishments are a result of the dedication and professionalism of the corporation's staff. I would like to thank them for their hard work in meeting the many challenges of the past year. I am proud of their responsiveness and I know they will continue to deliver what is needed to meet the corporation's goals and objectives.

I would also like to acknowledge the support and encouragement of the plan trustees, my executive colleagues, and the corporate board for the opportunity of working with you in my first year as Chief Executive Officer. It has been a very rewarding time, and I'm looking forward to pursuing the goals and innovations that lay ahead.

Gail Stephens
Chief Executive Officer
March 31, 2004

Executive

Gail Stephens
Chief Executive Officer

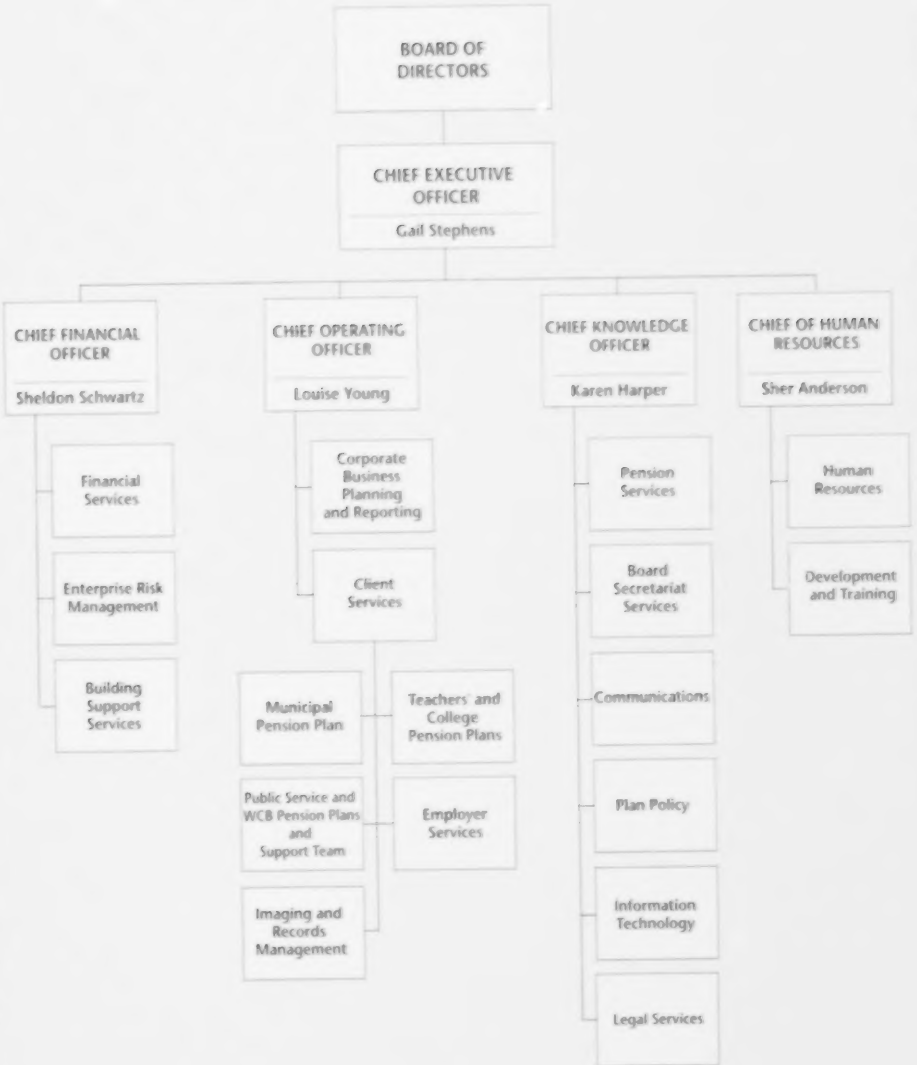
Sher Anderson
Chief of Human Resources

Karen Harper
Chief Knowledge Officer

Sheldon Schwartz
Chief Financial Officer

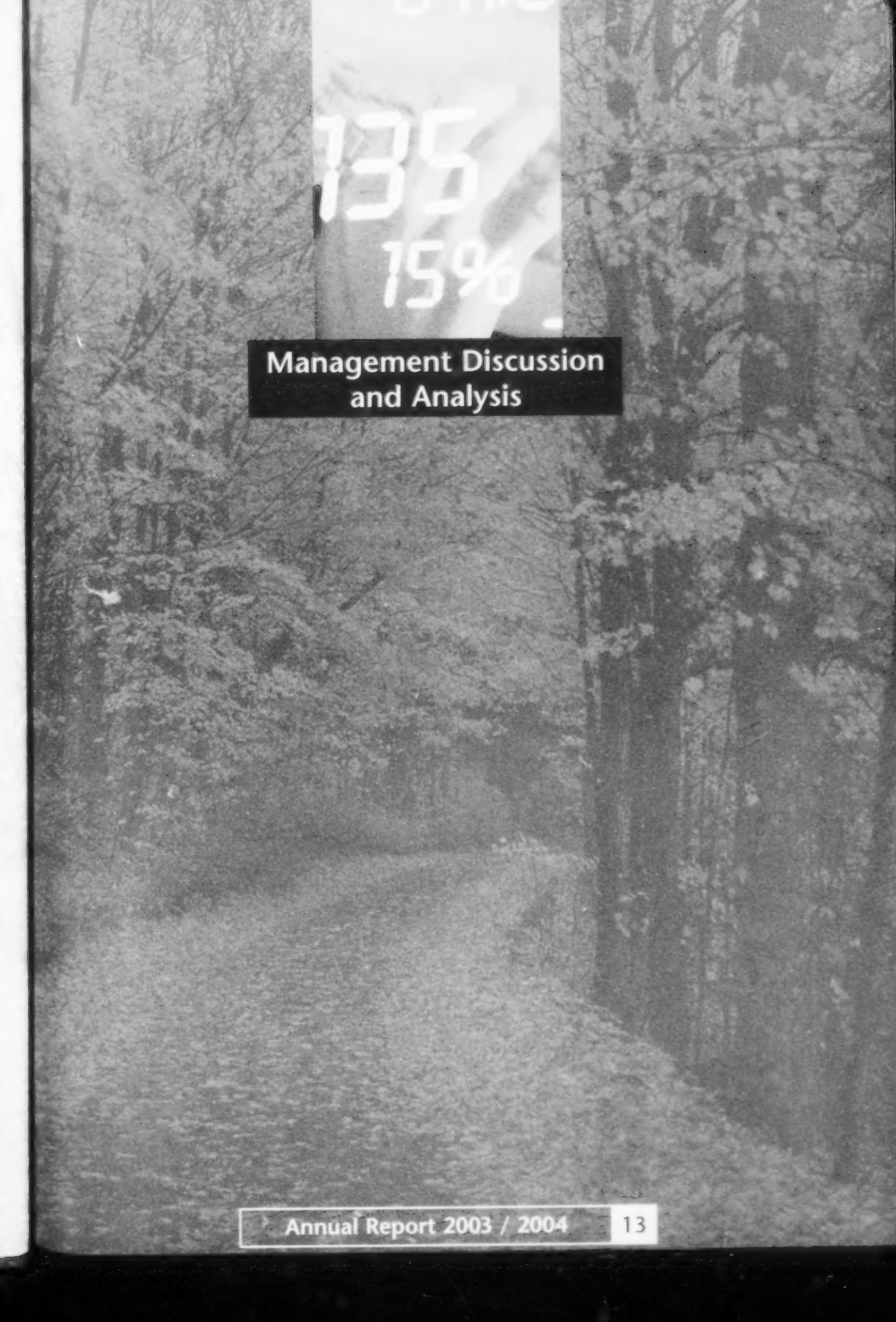
Louise Young
Chief Operating Officer

Organizational Structure



Business Profile for 2003/2004

THE PENSION CORPORATION interacts with a number of different groups. The diagram below shows how the Pension Corporation interacts with those groups and in what capacity.



Management Discussion and Analysis

Accomplishments and Objectives

OUR KEY OBJECTIVE FOR THIS PERIOD was to become an organization that provides quality service to our clients, models best practices and is seen to be an employer of choice. Quality service includes providing ease of access and quick response to our clients, as well as information and tools in a range of media to assist with retirement planning.

We achieved improved ease of access and quick response through:

- enhancing online services for our clients, including an enhanced pension estimator, and
- simplifying the retirement process by reducing the number of items sent to retiring members from 24 to eight, and clarifying the information and process.

Some examples of information and tools provided in a range of media are:

- an enhanced online pension estimator that allows members to view pension estimates based on their personal information,
- a redesigned *Member's Benefit Statement* for each pension plan sent annually to actively contributing plan members, which contains additional benefit information in a single, easy-to-read document,
- a redesigned website with a new look, new and enhanced features, and
- pre-retirement seminars for over 8,000 attendees, including a new program for the College Pension Plan.

Best practices were modeled by:

- meeting or exceeding 2003/04 service performance targets in all plans for most key transactions, while at the same time responding to increased demand,
- successfully managing overall demand for purchase of service cost estimates and pension options that was significantly higher than anticipated,
- establishing a clear direction through a well-communicated Strategic Delivery Plan,
- initiating business planning throughout the corporation by developing a sound business planning process and branch business plans,
- integrating risk management into the business planning process and the development of risk management models and tools to guide us into the future, and
- continuing to gather information from plan members, stakeholders, peers and employees through surveys and focus groups to validate member needs and pursue best practices.

The corporation developed as an employer of choice by:

providing an "Employee Business Day" to encourage staff to see the linkage between the work they do and the corporation's objectives,

developing personal business plans for each staff member, in order to align their work with the strategic direction of the corporation,

offering a number of development opportunities, including pension, client service and leadership training, and

surveying our employees to gauge their satisfaction.

Looking Forward

Our focus is on being an organization of people who care, providing great value and quality service to each client. Within the next twelve months, the corporation will:

Foster a client-oriented, service-focused culture by:

validating client needs for our services, products and processes on a regular basis,

simplifying the client experience,

consistently delivering timely, meaningful information and products, when, where and in the ways our clients need them, and

providing meaningful, accurate information.

Deliver high-quality service cost effectively by:

continuing with a service-based approach to budget development and financial reporting,

benchmarking costs and service response against industry, and

ensuring high quality of all work.

Build and sustain relationships of trust and confidence with our clients and our people by:

building corporate business plans and budgets based on service delivery plans, approved by each board of trustees,

continuing development and implementation of risk management and quality assurance programs, and

implementing detailed business planning and budget review throughout the corporation.

Accomplishments and Objectives continued

Develop an organization that welcomes change and embraces business improvement and creativity by:

- critically evaluating end-to-end business processes, making fundamental improvements and realigning the organization to them,
- creating a sense of urgency for making the required changes, and
- "walking the talk" of our values.

Become an employer of choice that attracts and retains highly capable, motivated, accountable professionals by:

- engaging our people in translating the strategic plan into action at the divisional, branch and individual level,
- expanding our performance management system so it sets expectations, provides support and holds people accountable, and
- identifying and implementing workplace attributes that encourage highly capable people.

Performance Measures and Targets

THE CORPORATION USES A SERIES OF INDICATORS to compare service levels to service targets. These indicators measure:

- the overall quality of service,
- the timeliness of the corporation's response to key service requests, and
- cost-effectiveness.

Quality

During the 2003/04 reporting period, the corporation conducted a number of client surveys to determine their level of satisfaction, with very positive results.

Our survey of recently retired members indicated that 94% were satisfied or very satisfied, a considerable increase from 82% in 2002/03.

Our active member survey results showed that 79% of those surveyed were satisfied or very satisfied, an improvement over the previous year. Because the survey format differed between the current and previous surveys, a comparable percentage from 2002/03 is not available.

Our second survey of plan employers indicated that 96% were satisfied or very satisfied with the corporation's services, up from 90% in the previous survey.

The results of our first survey of longer-term retired members were very positive, with 90% satisfied or very satisfied.

		RESULT	2003/04 TARGET
Quality	Active plan members	4.16	4.00 +
	Recently retired members	4.48	4.00 +
	Retired members (longer-term)	4.30	4.00 +
	Plan employers	4.39	4.00 +

All surveys use a scale of 1 to 5:

1 = very dissatisfied
2 = dissatisfied
3 = neutral
4 = satisfied
5 = very satisfied

Timeliness

The corporation met or exceeded performance targets in most key transactions. For termination benefit options and written enquiries, significant improvement occurred in the last half of the year; the corporation met or was within 2% of on-time targets for those transactions October through March.

	MEASURE	RESULT	TARGET
Timeliness	The percentage of final pension options provided within 30 calendar days of receiving a member's request, or 120 days of the retirement date, whichever was later.	90%	80%
	The percentage of first pension payments paid on time.	98%	98%
	The percentage of monthly pensions paid on time.	100%	100%
	The percentage of termination information letters provided to members within 30 days of receiving a notice of termination.	100%	95%
	The percentage of termination benefit options provided to members within 30 days of receiving an application.	88%	95%
	The percentage of written enquiries responded to within 30 days.	89%	95%

Cost-effectiveness

The corporation's productivity and cost-effectiveness was benchmarked against a group of major Canadian public sector pension plan administrators. Compared to the benchmark group, the corporation's cost per member and cost per key service request were below the average.

		RESULT	BENCHMARK AVERAGE
Cost-effectiveness	Key service requests completed per corporation staff.	140	148
	Budgeted cost per key service request.	$646	$866
	Budgeted administrative cost per member.	$104	$105

Benchmarking information is based on 2003 information updated May 2004. Benchmarking based on key transactions has not yet been fully normalized within the group and may be subject to adjustment. "Key service requests completed per corporation staff" was derived by the corporation based on the benchmark information.

Business Activity

THE CORPORATION'S PRIMARY BUSINESS DRIVERS are a growing demand for services and the increasing complexity of pension administration.

The number of plan members approaching their retirement years is growing. Currently, 38% of active plan members are age 50 or over, and this percentage is expected to rise annually over the next five years. As a result, the corporation will experience an increased demand for services.

At the same time, member requests for frequent, easy access to simplified and timely information are growing, as is the use of technology and the demand for greater self-service opportunities.

In the future, the corporation anticipates service demand volumes will continue to rise as a result of a number of key factors, including:

- an aging population that is living longer,
- more complex pension service issues and more knowledgeable plan members,
- a rising percentage of members who are addressing retirement planning at an earlier age,
- new 2007 purchase of service deadlines for the four major pension plans, and
- various public sector downsizing, restructuring and early retirement initiatives.

Specific Demand Trends

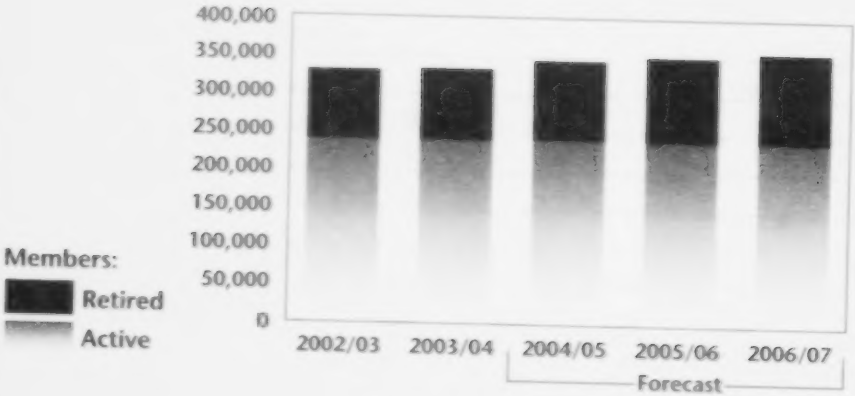
In the 2003/04 period, overall demand for key services exceeded forecasted demand by 10%, with requests rising to almost 58,000. This represents an 8% increase over the previous year. This trend of increasing demand is expected to continue over the next three years.

Pension estimates were 30% higher than expected, an increase of 15% over 2002/03. New pensions granted grew by 16% over the previous year, and growth is expected to continue for the next three years.

Purchase of service requests were about 13% higher than forecast, representing an increase of 17% over the previous year. We expect demand for purchase of service estimates to increase between now and the 2007 purchase deadlines for each of the four major pension plans.

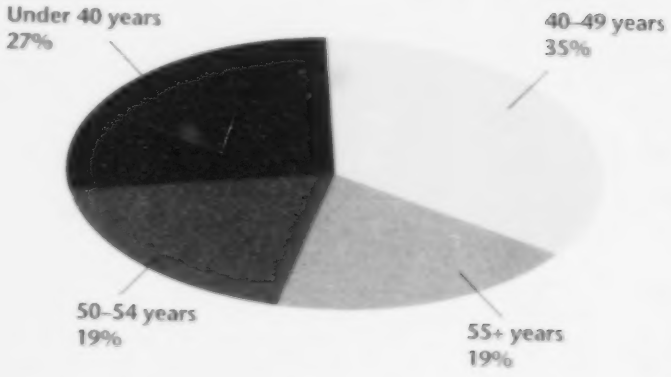
Our retired membership is rapidly growing. As a result, the corporation will be focusing more time and effort on the specialized services we provide to this group on behalf of the boards, including administration of group benefits.

Member Base



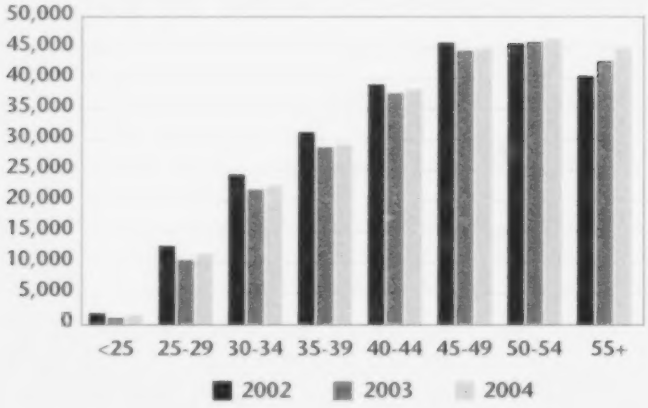
Age Profile of Active Members

as at March 31, 2004

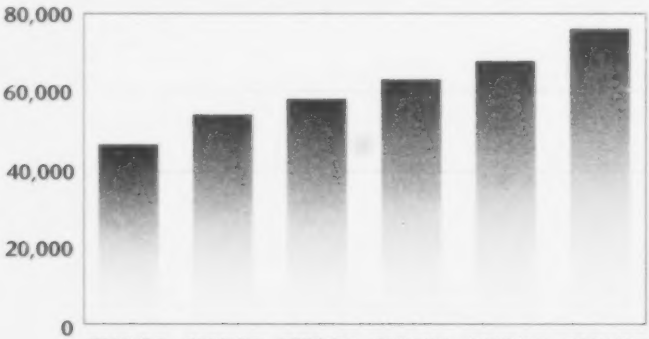


Business Activity

Increasing Age Profile of Active Members



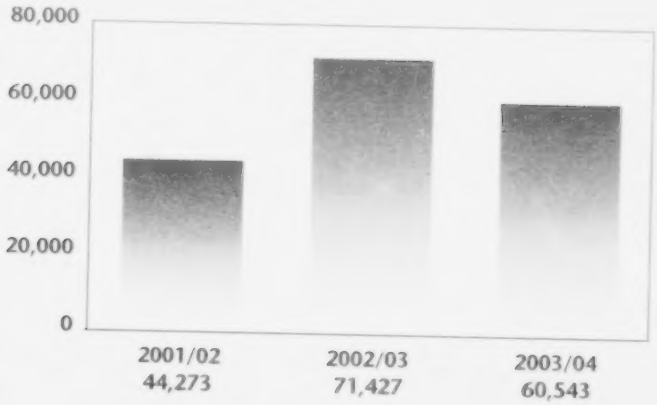
Key Service Requests and Future Demand Profile



	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Total Key Service Requests	46,058	53,814	57,916	63,000	67,600	76,200

Key service requests: pension options, new pensions, terminations, interplan and reciprocal transfers, and purchase of service estimates of all kinds.

Completed Key Service Requests



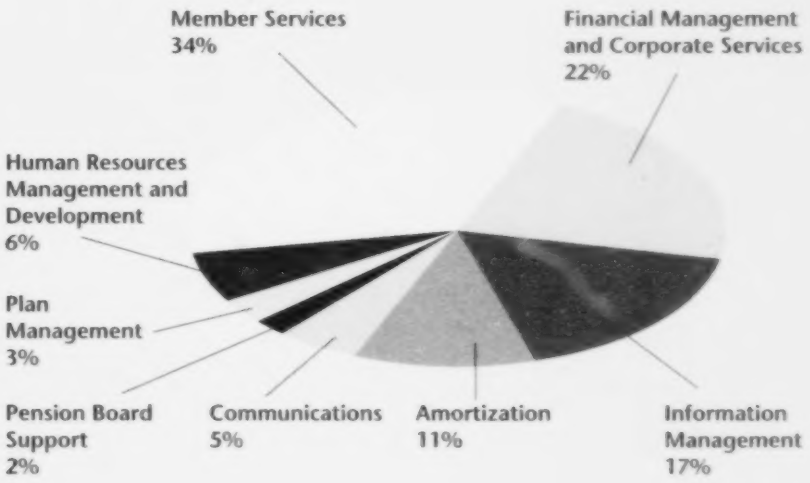
Note: 2002/03 completed service requests included clearance of backlogs.

Finances

THE CORPORATION SPENT $36.5 MILLION for operating expenses in 2003/04, with offsetting revenue of the same amount. Approximately one-third ($12.3 million) of operating costs was for direct services to members and employers. Total operating expenses were approximately 3% under budget.

The corporation operates on a cost-recovery basis, with full recovery of costs from the pension plan trust funds that it serves. As part of the corporation's service delivery planning and budget development process, each pension board of trustees approves its share of relevant costs. The pension funds pay for operating costs, in addition to funding the corporation's capital asset expenditures.

Operating Expenses



Corporate Financial Statements

PENSION
CORPORATION

Executive
Offices

Mailing Address:
PO Box 9460
Victoria BC
V8W 9V8

Location:
2995 Jutland Road
Victoria BC
V8T 5J9

Phone:
250 387-8201
1 800 663-8823
Fax:
250 953-0429

BRITISH COLUMBIA PENSION CORPORATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the Annual Report are the responsibility of management of the British Columbia Pension Corporation (corporation) and have been approved by management and the Board of Directors (board).

Management is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The board, primarily through its Audit Committee (committee), is responsible for ensuring that management fulfills this responsibility. The committee reviews the financial statements and recommends them to the board for approval. The committee meets with management and external auditors to discuss internal controls, auditing matters and financial reporting issues.

The firm of KPMG LLP has been appointed the independent auditor of the corporation by the board. The role of the auditor is to perform an independent audit of the financial statements of the corporation in accordance with generally accepted auditing standards in Canada. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.

SHELDON SCHWARTZ, C.F.A.
Chief Financial Officer
British Columbia Pension Corporation

SANDRA LENZ, C.A.
Director, Finance
British Columbia Pension Corporation

May 21, 2004

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800 - 730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Telefax (250) 480-3539
www.kpmg.ca

AUDITORS' REPORT

To the Members of the Pension Management Board
of the British Columbia Pension Corporation

We have audited the balance sheet of the British Columbia Pension Corporation as at March 31, 2004 and the statements of revenue and expenses and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

May 21, 2004

KPMG LLP, a Canadian limited liability partnership, is the Canadian member firm of KPMG International, a Swiss cooperative.

Corporate Financial Statements

BRITISH COLUMBIA PENSION CORPORATION
BALANCE SHEET
($ Thousands)

March 31	2004	2003
Assets		
Current:		
Cash and Short-term Investments (Note 4)	$ 198	$ 541
Due from Pension Plans (Note 5)	5,880	7,337
Accounts Receivable	278	123
	6,356	8,001
Prepaid Expenses	484	345
Computer Systems and Other Assets (Note 6)	18,291	19,557
Total Assets	$ 25,131	$ 27,903
Liabilities and Shareholder's Equity		
Liabilities		
Current:		
Accounts Payable	$ 1,580	$ 2,694
Accrued Salaries and Benefits (Note 7)	5,234	5,652
Capital Lease Obligation	26	-
	6,840	8,346
Long term:		
Deferred Capital Funding (Note 8)	18,291	19,557
	25,131	27,903
Shareholder's Equity		
Share Capital (Note 2)	-	-
Total Liabilities and Shareholder's Equity	$ 25,131	$ 27,903

All accompanying notes are an integral part of these financial statements including:

- Commitments (Note 12)

Bruce Clow, Chair
British Columbia Pension Corporation
Pension Management Board

John Wilson, Vice Chair
British Columbia Pension Corporation
Pension Management Board

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF REVENUE AND EXPENSES
($ Thousands)

For the year ended March 31	2004	2003
Revenue		
Service Revenue	$ 36,346	$ 34,198
Investment Income	122	66
Miscellaneous Revenue	10	54
Total Revenue	36,478	34,318
Expenses (Note 9)		
Member Services	$ 12,336	$ 12,457
Communications	1,953	2,017
Plan Management	1,146	1,096
Human Resource Management & Development	2,109	1,420
Information Management	6,204	5,541
Financial Management & Corporate Services	7,973	7,766
Amortization	4,180	3,518
Pension Plans Boards' Secretariat Support	577	503
Total Expenses	36,478	34,318
	$ -	$ -

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF CASH FLOW
($ Thousands)

For the year ended March 31	2004	2003
Cash Flow from Operating Activities		
Operating funding received from the pension plans	$ 33,623	$ 26,197
Cash paid to suppliers and employees	(34,098)	(29,976)
Investment income received	122	66
Total Operating Activities	(353)	(3,713)
Cash Flow from Investing Activities		
Purchase of computer systems and other assets	(2,914)	(3,843)
Proceeds from sale of computer systems and other assets	10	54
Total Investing Activities	(2,904)	(3,789)
Cash Flow from Financing Activities		
Capital funding received from the pension plans	2,914	3,843
Increase (Decrease) for the Year	(343)	(3,659)
Cash and Short-term Investments at Beginning of Year	541	4,200
Cash and Short-term Investments at End of Year	$ 198	$ 541

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

1. AUTHORITY

The British Columbia Pension Corporation (corporation) was established as a corporation on April 1, 2000, under section 5 of the *Public Sector Pension Plans Act, S.B.C. 1999, c.44* (the act). The act describes the composition, appointment, powers, functions and duties of the Board of Directors (board) for the corporation.

2. NATURE OF OPERATIONS

The corporation is the benefit administrative agent for the boards of trustees responsible for the College, Municipal, Public Service and Teachers' pension plans. It may also provide services to other British Columbia public sector pension clients. The corporation's board consists of at least eight (8) directors, two (2) directors from each of the four boards of trustees above. The chair of the board is appointed by the directors.

Benefit administration services provided by the corporation include collecting and recording contributions, calculating and paying benefits, communicating to employers and plan members, pension plan board support services and other services specifically approved by the individual boards of trustees.

The corporation charges each pension plan with its respective share of the corporation's operating expenses and computer systems and other asset purchases less miscellaneous revenue, investment income and amortization. The issued share ($10 par value) of the corporation is held by the Province of British Columbia, and accordingly the corporation is exempt from income taxes.

The corporation pays Goods and Services Tax (GST) on applicable purchases and recovers those costs fully, through input tax credits.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared on an accrual basis, in accordance with Canadian generally accepted accounting principles.

b) Computer Systems and Other Assets

Computer systems and other assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives as follows:

Major Business Application Software	3 to 10 years
Other Computer Equipment and Software	3 to 5 years
Furniture	10 years
Tenant Improvements	10 years

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Computer Systems and Other Assets *(continued)*

Major business application software under development is not amortized until completion and implementation.

Assets costing less than $1,000 are expensed in the year purchased.

The corporation monitors computer systems and other assets for changes in circumstances that indicate assets may be impaired if their service value to the corporation has declined. If such circumstances occur the excess of the net book value over any residual value will be recognized as an expense in the statement of revenues and expenses.

c) Revenue Recognition

Cash funding is received in advance from the pension plans that receive services from the corporation. Service revenue is recorded as operating expenses are incurred and as assets are amortized. Deferred capital funding which relates to funding advances for computer systems and other assets is recognized on the same basis as the related assets are amortized. Investment income is recorded on an accrual basis.

d) Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect year-end exchange rates at the balance sheet date. Any resulting exchange gains and losses are included in the determination of income.

e) Use of Estimates

The preparation of financial statements, in accordance with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts on the Balance Sheet and Statement of Revenue and Expenses at the date on the financial statements. Actual results could differ from these estimates. The significant area requiring the use of management estimates relates to the estimated useful lives of Computer Systems and Other Assets.

4. CASH AND SHORT-TERM INVESTMENTS

Short-term investments consist of direct ownership in units of pooled investment portfolios, managed by the British Columbia Investment Management Corporation. Each unit gives its holder a proportionate share in the net assets of the pooled investment fund. The pooled investment portfolios consist of Canadian money market securities such as financial and corporate commercial paper, with terms of 15 months or less. These investments are recorded at cost, which approximates market.

	($ Thousands)	
	2004	2003
Cash	$ 182	$ 523
Short-term Investments	16	18
	$ 198	$ 541

5. DUE FROM PENSION PLANS

The corporation charges each pension plan with its respective share of the corporation's operating expenses and computer systems and other asset purchases less miscellaneous revenue, investment income and amortization as follows:

	($ Thousands)	
	2004	2003
Municipal Pension Plan	$ 17,302	$ 16,871
Public Service Pension Plan	8,977	8,921
Teachers' Pension Plan	7,173	7,082
College Pension Plan	1,321	1,378
Other Plans	307	271
Total Charges to Pension Plans	$ 35,080	$ 34,523
Beginning Balance, Due from Pension Plans	7,337	2,854
Operating Funding Received	(33,623)	(26,197)
Capital Funding Received	(2,914)	(3,843)
Ending Balance, Due from Pension Plans	$ 5,880	$ 7,337

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2004

6. COMPUTER SYSTEMS AND OTHER ASSETS

($ Thousands)

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	
Major Business Application Software	$ 21,689	$(8,583)	$ 13,106	$14,417
Other Computer Equipment and Software	7,413	(4,202)	3,211	3,150
Furniture	2,050	(853)	1,197	1,343
Tenant Improvements	977	(200)	777	647
	$ 32,129	$ (13,838)	$ 18,291	$19,557

Other computer equipment and software includes a $30,645 capital lease amortized over the three year term of the lease. The balance of the lease obligation as at March 31, 2004 is $25,530 with payments ending in June 2006.

7. ACCRUED EMPLOYEE SALARY AND BENEFIT OBLIGATIONS

($ Thousands)

	2004	2003
Accrued Salaries and Benefits	$ 4,211	$ 4,540
Leave Liability	941	1,112
Early Retirement Incentive Program	82	-
	$ 5,234	$ 5,652

8. DEFERRED CAPITAL FUNDING

($ Thousands)

	2004	2003
Opening Balance, Deferred Capital Funding	$19,557	$19,232
Capital Funding Received	2,914	3,843
Capital Funding Recognized as Service Revenue	(4,180)	(3,518)
Ending Balance, Deferred Capital Funding	$18,291	$19,557

During the next fiscal year, approximately $4.2 million of deferred capital funding will be recognized as Service Revenue.

9. EXPENSES

Expenses by service area are presented in the Statement of Revenue and Expenses and are defined as follows:

Member Services includes direct member pre-retirement benefit services, retired member benefit services, employer data services, and imaging and reception services.

Communications includes development and production of communications products, and pre-retirement information seminars.

Plan Management represents plan policy support.

Human Resource Management and Development includes general human resource management functions, and training and development, including devoted business training staff.

Information Management includes strategic technology project management, ongoing information system support and devoted user testing.

Financial Management and Corporate Services includes financial management, risk management, business planning and analysis, facilities, and rent and other support services (including executive offices).

Pension Plans Boards' Secretariat support includes the secretariat salaries and associated facilities costs.

Expenses by type are as follows:

($ Thousands)

	2004	2003
Salaries & Benefits	$22,958	$21,345
Amortization	4,180	3,518
Systems Support & Telephones	5,271	5,665
Building Rent & Maintenance	2,055	1,931
Office Expenses	1,268	1,374
Legal, Actuarial & Other Professional Services	945	1,099
Early Retirement Incentive Program	414	-
Training	304	273
Insurance	295	252
Publications	277	345
Travel	181	159
Bank Charges	170	181
Regulatory Fees	91	100
Corporate Board Remuneration & Expenses	69	76
	$36,478	$34,318

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2004

10. EMPLOYEES' PENSION PLAN AND RETIREMENT BENEFITS

In accordance with the *Public Sector Pension Plans Act, S.B.C. 1999 c44*, the corporation and its employees contribute to the Public Service Pension Plan (plan), a jointly trusteed pension plan. The plan is a multi-employer contributory defined benefit pension plan. The corporation administers the plan, including the payment of pension benefits, on behalf of the employers and the employees to whom the act applies. As at March 31, 2004, the corporation has approximately 413 employees contributing to the plan which has approximately 51,000 active plan members and 28,000 retired plan members.

Employer contributions to the plan are included in salaries and benefits and represent the amount of pension expense for the year. For the year ended March 31, 2004, employees contributed 5.5% of salary up to the Canada Pension Plan's Year's Maximum Pensionable Salary (YMPE) and 7% for salaries above that. The corporation contributed 6.5% of salary up to the YMPE and 8% for salaries above that. Employee and corporation contributions include 1.25% and 2.25% of salaries respectively, to fund contingent benefits such as future pension indexing and retired member group benefits that are subject to the availability of specified funding arrangements.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation as at March 31, 2002 indicated a $546 million surplus for basic pension benefits. The next valuation will be as at March 31, 2005 with results available in 2006. The actuary does not attribute portions of the surplus to individual employers. The corporation paid $1.3 million for employer contributions to the plan in 2004. Employees are also entitled to specific retirement benefits as provided for under collective agreements and terms of employment. The cost of these future benefits is included in salaries and benefits expense.

11. RELATED PARTY TRANSACTIONS

As a Crown corporation, the corporation engages in transactions with the Province of British Columbia. These transactions are considered to be in the normal course of operations. Included in accounts payable and accrued salaries and benefits is $4.7 million (2003: $5.0 million) due to the Province of British Columbia.

12. COMMITMENTS

The corporation entered into a service agreement April 1, 2000 with the British Columbia Building Corporation to provide existing and future accommodation needs, with the term of the agreement extending to March 31, 2010. The estimated cost of building rental and accommodation services for the years ending March 31, 2004–2008 is $2.1 million per year.

13. FINANCIAL INSTRUMENTS

The corporation's financial instruments consist of cash, short-term investments, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the corporation is not exposed to significant risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

14. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current presentation.

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